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Executive Director and Secretary
Washington Utilities and Transportation Commission
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Re: Docket U-210553: Comments of Puget Sound Energy on the Commission’s Examination of Energy Decarbonization Pathways and Impacts

Dear Mr. Johnson:

Puget Sound Energy (“PSE”) submits these comments in response to the Washington Utilities and Transportation Commission’s (Commission) July 26, 2021 Notice of Opportunity to File Written Comments (Notice) in this docket. PSE appreciates the Commission’s initial efforts to encourage broad participation in this examination of the feasible and practical pathways for electric and natural gas utilities to decarbonize, and the related impacts to customers and utilities. Below, PSE offers its initial comments and responds to the questions included in the Notice.

I. Comments

The initial discussion at the Commission’s August 9, 2021 public workshop confirms this examination of decarbonization pathways and the related impacts will be an ambitious and comprehensive undertaking. The relevant budget provision directing this study enumerates a robust set of criteria that the Commission and stakeholders must consider to evaluate the existing landscape, identify potential decarbonization pathways, and then assess their respective impacts on utilities and their customers. These criteria cut across a number of nuanced and interrelated topics that span multiple public utility services and operations, the dynamics of regional energy markets, and the methods by which the Commission and other policymakers weigh diverse considerations—such as decarbonization, affordability, reliability, and equity—to holistically balance the public interest.

Neither PSE nor any other stakeholder has all the answers to every complex question that might arise during this examination. However, PSE commits to working in partnership with the

Commission and other parties to ensure a thorough, transparent, and objective examination of potential considerations and impacts. As the Commission has observed, decarbonization pathways can span multiple categories or “lanes” and affect utilities, their customers, and the broader region. Equity considerations will also need to be integrated into every step of the examination. Ultimately, an accurate and complete assessment of decarbonization pathways will require rigorous testing of data, assumptions, and models in a public setting that includes a broad representation of stakeholder perspectives.

PSE looks forward to leveraging its decades of experience with renewable energy projects, conservation, and innovation to help inform the Commission’s inquiry. PSE recently announced a Beyond Net Zero goal to pursue reductions in carbon equivalent emission to net zero. As part of this goal, PSE also seeks to go beyond its own footprint by leveraging the company’s energy resources and influence to help customers and communities reduce their carbon impacts as well. With the right policies, products, and partnerships, PSE’s commitments and aspirational goals will help Washington State reach its 2035 greenhouse gas emissions reduction goal of a 45 percent reduction below 1990 levels, while continuing to meet customer expectations for uncompromised reliability, safety, and affordability.

II. Responses to Questions

1. Section 143(4) of the Appropriations Act includes the required considerations¹ for the Commission’s examination. Subject to budget and data constraints, what, if any, additional considerations should the Commission include as part of its examination?

PSE views the criteria expressly enumerated in Section 143(4) of the Appropriations Act as thorough and comprehensive, and thus appropriate to serve as the foundation for the Commission’s examination. Cross-sector decarbonization is a complicated topic wrought with technological uncertainty, regulatory and statutory complexity, regional energy market dynamics, and equity and affordability considerations that we are collectively just beginning to

¹ These full list of criteria from Section 143(4) of the Appropriations Act are as follows: (a) how natural gas utilities can decarbonize; (b) the impacts of increased electrification on the ability of electric utilities to deliver services to current natural gas customers reliably and affordably; (c) the ability of electric utilities to procure and deliver electric power to reliably meet that load; (d) the impact on regional electric system resource adequacy, and the transmission and distribution infrastructure requirements for such a transition; (e) the costs and benefits to residential and commercial customers, including environmental, health, and economic benefits; (f) equity considerations and impacts to low-income customers and highly impacted communities; and (g) potential regulatory policy changes to facilitate decarbonization of the services that gas companies provide while ensuring customer rates are fair, just, reasonable, and sufficient.

understand and address. As others have noted, the enumerated criteria were also the result of robust negotiation, deliberation, and compromise during the legislative session. Therefore, the Commission should closely scrutinize any proposal to expand the scope of this inquiry to include additional criteria.

2. Besides any additional considerations provided above, what else do you think the Commission should consider during the development of the study and consultant engagement?

At this early stage in the examination, there are several high-level considerations—both procedural and substantive—that fit within the existing criteria the Commission must consider.

Procedural Considerations

PSE applauds the Commission for outlining an initial plan to ensure a thorough and transparent process, one that prioritizes the concepts of partnership, collaboration, and rigorous testing of assumptions, data, and analysis. To achieve these goals, the Commission might also consider outlining transparent procedures for the selection of qualified and independent consultants to assist the Commission with examination and analysis. Allowing stakeholders to help the Commission identify the scope of work and the right questions to ask will ensure a common understanding of the consultant's work and contribute to the use of credible and reliable data. As others have noted, it is also important that stakeholders have access to the work products and research conducted by any consultants for purposes of testing assumptions, verifying inputs and models, and analyzing results.

Additionally, *all* electric and natural gas utilities, including utilities not regulated by the Commission, should commit to fully engage and collaborate in the analytics. PSE is prepared to bring data and its analytical expertise to inform this process. But broad participation from a diverse set of stakeholders will be necessary to address some of the crosscutting issues potentially relevant to this examination, which may span the integrated energy supplies and diverse mix of public, cooperative, and regulated utilities across our state. Similarly, consulting with or including technology vendors as part of the examination will help ensure an understanding of technological maturity, and thus the opportunities and limitations of various pathways. Many studies lack these important details or make assumptions that do not necessarily translate to Washington's climate and customer behavior.

PSE also emphasizes the need for the Commission to provide clear agendas, workplans, and timelines. This examination will likely involve numerous complex concepts of law, policy, planning, and operations, significant amounts of data, and implicate the nuanced interrelationship

between electricity markets and natural gas systems. All of these factors will also need to be examined through nascent equity analysis frameworks. The Commission should therefore strive to establish clear processes and timelines—and pace consideration of study topics accordingly—to ensure that all participants understand the full context and timing of the issues being discussed.

PSE encourages the Commission to ensure that its initial work with stakeholders addresses the study criteria in a transparent manner and that there is a general understanding of the examination's procedures. To this end, the Commission should consider making additional details about its proposed workplan and timelines publicly available as soon as reasonably practicable. This will allow stakeholders to plan accordingly and actively participate with specific data and informed analysis. Early efforts to define the criteria, develop the right questions for any consultant review, and ensure the use of consistent terminology throughout this examination will be beneficial.

Substantive Considerations

As this examination begins, PSE believes the important interrelationship between the electric and natural gas systems cannot be overstated. Like other topics, this will be the subject of additional exploration and discussion, likely in the areas of affordability, equity, regional cooperation, climate change analysis, and energy resource adequacy. In short, the relationship between natural gas systems and the electric grid is complex, but as a natural gas *and* electric utility, PSE takes its responsibilities seriously to provide multiple essential utility services to customers across its service territories safely, reliably, and affordably.

PSE recognizes that natural gas is an ongoing source of carbon emissions, and that carbon emissions must be mitigated; that is why PSE is aspiring to net zero carbon emissions from gas sales by 2045. However, PSE's existing natural gas delivery infrastructure has inherent value as a potential platform for innovative new applications and technologies, such as renewable gas, hydrogen, and other low or zero carbon fuels to deliver energy with very low or zero greenhouse gas emissions. As noted in PSE's Beyond Net Zero white paper, a key factor in the successful achievement of both PSE's and Washington State's decarbonization goals is striking the appropriate balance between aggressive carbon reduction goals and other important public policy considerations and utility responsibilities, such as customer expectations for uncompromised reliability, safety, and affordability.

From PSE's perspective as an essential service provider, all of these goals are important. Both the electric system and the natural gas system are critical to maintaining reliability and affordability for customers, especially over the near and intermediate terms and during extreme

weather events that may span the region. While average temperatures may be increasing over time due to climate change, extreme events (both hot and cold) may still occur. Recent events along with the Northwest Power and Conservation Council's climate change analysis show trends towards winter extreme events that are colder and lasting longer. Furthermore, given the correlated nature of these systems, this examination may have implications for the broader region. Washington utilities participate in natural gas and electricity markets throughout the Western United States, so the concepts, policies, and topics examined here may also require further vetting through appropriate local and regional forums where stakeholders may also be addressing topics like decarbonization or resource adequacy.

3. Please provide references that may be relevant to the Commission's examination of practical and feasible decarbonization strategies, including resources evaluating the impacts of the strategies. Examples of relevant resources may include, but are not limited to, publicly available studies and reports as well as documentation of community listening sessions and equity analysis frameworks.

PSE first highlights the recent study commissioned by the New York City Mayor's Office of Sustainability, Con Edison, and National Grid.² As the Pathways to Carbon-Neutral NYC study notes, partnership and coordination among the major stakeholders responsible for New York City's decarbonization was critical to the study's success in identifying independent, objective analyses and modeling of New York City's deeply decarbonized future. In short, through the cross-sector collaboration between government, academia, utilities, qualified consultants, and all other stakeholder perspectives, the study identified several pathways capable of achieving substantial direct emissions reductions. However, the report also recognized that the pathways identified are not a prediction of the future. Rather, they are considerations to inform near-term policy development and utility actions for robust, long-term emissions reduction strategies.

The most important aspect of this study—and the reason PSE highlights it here—is its procedural focus on partnership among government entities, utilities, and other stakeholders. As the study emphasizes, it is an example of the extensive coordination and collaboration required to assess the pathways to reach carbon neutrality at the scale and pace that climate science demands. Like in New York and other states embarking on similar journeys, unlocking Washington State's full potential for transformative change requires the contributions of policymakers, innovators,

² See *Pathways to Carbon-Neutral NYC: Modernize, Reimagine, Reach* (April 2021), available at: <https://www1.nyc.gov/assets/sustainability/downloads/pdf/publications/Carbon-Neutral-NYC.pdf>

utilities, the financial sector, building owners, unions, and the millions of people who live and work in Washington State.

In addition, the Commission might also consider the following studies:

- **Pacific Northwest Pathways to 2050: Achieving an 80% Reduction in Economy-Wide Greenhouse Gases by 2050**, Energy + Environmental Economics (E3), November 2018
- **Building a Resilient Energy Future: How the Gas System Contributes to US Energy System Resilience**, American Gas Foundation Study Prepared by Guidehouse, January 2021

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In sum, PSE is committed to ensuring that all customers and communities have access to and benefit from the transition to a clean energy future. In PSE's view, protecting the most vulnerable customers and communities while decarbonizing will necessitate healthy and complementary electric and natural gas energy systems, as well as other technologies that may not yet be commercially feasible or available, to maintain both affordability, safety, and reliability during any transition.

PSE appreciates the opportunity to provide comments and looks forward to additional rounds of robust and transparent stakeholder engagement. Please contact Brett Rendina at (425) 457-5677 for additional information about these comments. If you have any other questions please, contact me at (425) 456-2142.

Sincerely,

/s/ Jon Piliaris

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